

FORECASTS COMPARISON

Idaho has a dynamic economy whose growth is influenced by a myriad of local, national, and international factors. Therefore, changes to the projected values of such diverse variables as oil prices, interest rates, and national housing starts can have an effect at the state level. In order to account for the effects of such changes on the state's economy, each issue of the *Idaho Economic Forecast* uses Global Insight's most recent forecast of the U.S. economy. Additional data, such as company-specific expansions and/or contractions are also considered.

The following comparison table shows how the outlooks for several key Idaho and national economic series have changed from the January 2005 to the April 2005 *Idaho Economic Forecast*. The April 2005 *Idaho Forecast* is based on Global Insight's March 2005 baseline forecast and the January 2005 *Idaho Forecast* is driven by Global Insight's November 2004 baseline U.S. macroeconomic forecast.

A comparison of several key variables shows how the outlooks for the national and state economies have changed since the January 2005 *Idaho Economic Forecast* was published. A review of several macroeconomic variables shows the short-run outlook for the U.S. economy has improved since January. The forecasts for both nominal and real GDP are noticeably higher in every year compared to their previous forecasts. In fact, the gap between the nominal GDP forecasts widens over time. Specifically, nominal GDP goes from being 0.6% higher than its predecessor in 2005 to being 1.2% in 2008. However, higher inflation eats away most of this gain, so real GDP remains about 0.5% higher in each year. National personal income displays a similar pattern. Nominal personal income is 1.1% higher in 2005, 1.3% higher in 2006, 1.5% higher in 2007, and 1.6% higher in 2008. After accounting for inflation, however, personal income is around 1.1% above the previous predictions in each year. The improvements to personal income partially reflect higher forecasts of wage and salary payments, which reflect both stronger wage and nonfarm employment growth. The predicted U.S. annual average wage is \$299 higher in 2005 than previously forecast and is \$780 higher in 2008. There are 235,000 more jobs in 2005 compared to the previous forecast, and this gap peaks at 675,000 jobs in 2007. Unfortunately, not all sectors see a significant improvement. In fact, there are fewer jobs in both 2005 and 2006 in the long-suffering manufacturing sector.

The stronger national economic forecast improves the prospects for the Gem State's economy. As a result, Idaho nonfarm employment rises faster in the current forecast compared to the previous one. Specifically, the number of jobs expands 1.9% in 2005, 1.7% in 2006, 1.9% in 2007, and 1.7% in 2008. In the previous forecast this important measure of the state's economic health increases 1.6% this year, 1.8% next year, 1.8% in 2007, and 1.6% in 2008. The net result is that in 2008 Idaho nonfarm employment is about 2,300 (0.4%) higher than in the previous forecast. The state's huge nongoods-producing sector accounts for 1,650 of the improvement, while the remaining jobs gain is in the goods-producing sector. The stronger employment helps boost Idaho real personal income, which is \$413 million (1.1%) higher in 2008 than in the previous forecast.

**IDAHO ECONOMIC FORECAST
FORECASTS COMPARISON
DIFFERENCES BETWEEN
APRIL 2005 AND JANUARY 2005 FORECASTS**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|----------------------------------|------|------|------|------|-------|-------|-------|-------|-------|
| GDP (BILLIONS) | | | | | | | | | |
| Current \$ | 0 | 0 | 0 | 0 | 7 | 77 | 104 | 149 | 175 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.6% | 0.8% | 1.1% | 1.2% |
| 2000 Chain-Weighted | 0 | 0 | 0 | 0 | 5 | 60 | 67 | 62 | 48 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.5% | 0.6% | 0.5% | 0.4% |
| PERSONAL INCOME - CURR \$ | | | | | | | | | |
| Idaho (Millions) | 0 | 0 | 0 | 0 | 176 | 251 | 285 | 471 | 666 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.5% | 0.6% | 0.7% | 1.1% | 1.5% |
| U.S. (Billions) | 0 | 0 | 0 | 0 | 33 | 115 | 135 | 167 | 195 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 1.1% | 1.3% | 1.5% | 1.6% |
| PERSONAL INCOME - 2000 \$ | | | | | | | | | |
| Idaho (Millions) | 0 | 0 | 0 | 0 | 153 | 229 | 199 | 307 | 413 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 0.6% | 0.5% | 0.8% | 1.1% |
| U.S. (Billions) | 0 | 0 | 0 | 0 | 28 | 104 | 106 | 119 | 126 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.3% | 1.1% | 1.1% | 1.2% | 1.2% |
| TOTAL NONFARM EMPLOYMENT | | | | | | | | | |
| Idaho | -2 | -1 | 0 | 4 | -203 | 1,169 | 783 | 1,448 | 2,347 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.2% | 0.1% | 0.2% | 0.4% |
| U.S. (Thousands) | 1 | -5 | 3 | 62 | 180 | 235 | 571 | 675 | 525 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% | 0.4% | 0.5% | 0.4% |
| GOODS PRODUCING SECTOR | | | | | | | | | |
| Idaho | 2 | 2 | 2 | 0 | 368 | 1,325 | 636 | 614 | 697 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.4% | 1.3% | 0.6% | 0.6% | 0.7% |
| U.S. (Thousands) | 0 | -2 | -1 | -5 | 5 | 22 | 156 | 262 | 245 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% | 0.7% | 1.2% | 1.1% |
| NONGOODS PRODUCING SECTOR | | | | | | | | | |
| Idaho | -4 | -2 | -1 | 4 | -571 | -157 | 147 | 833 | 1,650 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.0% | -0.1% | 0.0% | 0.0% | 0.2% | 0.3% |
| U.S. (Thousands) | 1 | -3 | 4 | 67 | 175 | 213 | 415 | 413 | 280 |
| % Difference | 0.0% | 0.0% | 0.0% | 0.1% | 0.2% | 0.2% | 0.4% | 0.4% | 0.2% |
| FINANCIAL MARKETS | | | | | | | | | |
| Federal Funds Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.6% | 0.6% | 0.7% | 0.6% |
| Bank Prime Rate | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.6% | 0.6% | 0.7% | 0.6% |
| Mort Rate, Existing Homes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | -0.1% | -0.1% | -0.1% |
| INFLATION | | | | | | | | | |
| GDP Price Deflator | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 | 0.2 | 0.7 | 1.0 |
| Personal Cons Deflator | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.5 |
| Consumer Price Index | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Forecast Begins the FOURTH Quarter of 2004